REPUBLIC OF OIL; Despite plummeting oil prices and climate concerns, extraction of Alberta's oilsands is projected to increase in coming years. The breathtaking pace of development has transformed Canada's economy and yielded billions in profits for energy firms, but at a huge price - rising carbon emissions, environmental degradation and the alienation of aboriginal communities. In a four-part series, the Star examines the costs of Canada's oilsands bargain

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Body

It's the biggest energy project in the world. Millions of barrels of thick tarry bitumen otherwise known as the Alberta oilsands are being dug up or melted with injected steam every day and shipped out as fast as a runaway train.

This is happening despite steep drops in the price of oil.

There have been significant layoffs in the past several months and, according to the Alberta government, the number of jobs could decline by 25 per cent if the oil price doesn't recover soon. But thousands of workers have already moved to Alberta or commute across the country to get in on the high wages.

The industry is determined to ride out the storm and is convinced that prices will eventually recover.

"The view is that the market will rebalance in time," Siren Fisekci, a vice-president for Canada Oil Sands, told the Star this week.

Canada Oil Sands is the major shareholder of longtime tarsands operator Syncrude.

Pierre Marier, 48, is from the town of Hurkett just east of Thunder Bay in northern Ontario. For seven years he has been flying in to work as a welder or steamfitter for two-week stretches of 12-hour days. Then he flies home for two weeks.

"It's easy to earn at least $100,000 a year," he says.

Victor Sanchez, a 60-year-old pipefitter, has been working on the construction and maintenance of several immense oilsands projects for 17 years and earns $160,000 a year.

Megan Pashak, 30, has a psychology degree but headed out two years ago as part of a passenger services team that flies hundreds of workers in and out of Canadian Natural Resources Ltd.'s private airstrip in northeastern Alberta every week. She earns about $90,000 a year.

"I know this kind of job won't go on forever," she says. "But I am saving and that will help me a lot in the future."

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There's no question that employment on the Alberta oilsands has been a magnet for thousands of people across the country, especially for regions with high unemployment such as Nova Scotia and New Brunswick. The Canadian Energy Research Institute estimates that this year alone, the oilsands will account for about 150,000 direct jobs.

And it's those jobs, as well as the indirect employment such as manufacturing the mammoth trucks that prowl the mining sites, that have led to oilsands development becoming the key plank in the Harper government's economic and industrial strategy. But what are the costs of this massive employment and extraction project? Is it a trade-off that Canada may come to regret?

Large swaths of land have been deforested. Toxic tailings ponds are swelling; greenhouse gases are mushrooming. Aboriginal people have been ambushed by huge industrial projects in what they thought was their backyard.

And now, with the price of oil so low, this heralded industrial strategy is looking a little dubious. Coupled with increasing global concern about climate change and the possibility of higher carbon taxes to thwart the industry's soaring greenhouse gas emissions, bitumen becomes an even riskier investment.

As well, several energy experts, including ones at the International Energy Agency, have made it clear that all the oil in the ground cannot be burned if we are to prevent the global temperature rising more than two degrees Celsius.

Stranded assets - oil left in the ground - are simply not part of the industry's future plans. Rather, the Canadian Association of Petroleum Producers (CAPP) is forecasting that while the increase in bitumen production will be slower than originally planned because of the drop in oil prices, total bitumen production will rise during the next three years. That's because plants currently under construction will come on stream and because oilsands plants can't simply be shut down, CAPP argues.

"These are big industrial operations," says Greg Stringham, a vice-president of CAPP. "You can't simply turn them off ... They are like factories. They have to be kept in operation because it's so difficult to get them up and running again."

As the train races ahead, the federal and Alberta governments have been only too happy to act as conductors, assuring passengers that despite the lurches and shudders, everything is OK. Hang on, they urge. It will be good for us; it will all work out.

Maybe. But in the meantime, this project has had enormous influence on economic, environmental and social policies that have affected Canadians across the country. And it all seems to have happened without much discussion in either Parliament or the Alberta legislature and without much input from people directly affected by this feverish development of the world's third largest oil reserve.

It was only when the industry needed extensive pipelines to move the thick oil to refineries and markets offshore that the oilsands became a subject of widespread discussion and protest.

The Keystone XL Pipeline, which would ship diluted bitumen from Alberta through the Midwestern U.S. to refineries on the Gulf Coast, provoked significant opposition from American climate change activists. A pipeline that would normally receive speedy approval from a U.S. president still awaits for the green light seven years later.

First Nations and environmentalists protested fiercely when Enbridge proposed building the Northern Gateway pipeline from northern Alberta through northern B.C. to Kitimat, where the diluted bitumen would be loaded onto supertankers. They argued an offshore spill would be catastrophic for coastal wildlife and communities because the industry has yet to figure out how to clean up diluted bitumen, which is much heavier than other crude oils and can separate and sink.

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According to Nigel Bankes, chair of natural resources law at the University of Calgary, the most glaring example of the Harper government's single-mindedness came on the eve of the National Energy Board's public hearings into the Northern Gateway, when then natural resources minister Joe Oliver accused "environmentalists and other radical groups" of trying to undermine the economy.

"This was a direct attempt to undermine a legitimate public participation process before it even got started," says Bankes.

The NEB and the federal government eventually approved the project, but it is caught up in a tangle of court cases and may not proceed.

The rapid proliferation of oilsands projects began in 1999 after the federal and Alberta governments carved out an agreement with the industry, giving developers huge breaks on income tax and royalties.

Anne McLellan was minister of natural resources in the Liberal government of Jean Chr#233;tien and actively involved in the negotiations.

"We had no idea at the time that oilsands development would take off like it did," she says during an interview in her Edmonton law office. "We were looking for a way to kick-start it ... we were taking a risk ... because at that time Canada really needed a boost to the economy."

The tax breaks and the rising price of oil got the enormous mechanical shovels digging into the black muck much faster than anyone had anticipated. It also hastened the development of in situ extraction, which injects steam deep into the earth to loosen the puck-hard bitumen so it can be pumped to the surface.

As the price of crude oil edged up and beyond $100 a barrel, the money grew so that by mid-2014, the Alberta government had leased 92,000 square kilometres of land (65 per cent of the oilsands region and an area more than 10 times the size of Greater Toronto) in the far reaches of northern Alberta without environmental assessment or consultation with First Nations communities.

If those consultations happen, they happen after corporations have invested millions in leases and preliminary exploration of the geology. By then, they are key stakeholders as far the government is concerned.

From 1999 to 2007, production of bitumen increased almost fivefold to 1.4 million barrels a day. It now stands at 2.2 million barrels a day and the industry predicts production could almost double by 2030.

Oilsands development has been a pet project of the Alberta government since Peter Lougheed began as premier in the 1970s. And it has paid off. The oilsands now provide more government revenue than traditional oil and gas wells. Over the past decade, energy revenue accounted for about 30 per cent of total government revenues.

But unlike Norway, which also has an oil- and gas-fuelled economy and has managed to build a sovereign fund of almost $1 trillion, Alberta has saved only about $17 billion in its Heritage Savings Trust Fund.

The federal government has also benefited from oilsands tax revenues, but not to the same extent as Alberta. Nevertheless, Prime Minister Stephen Harper has been a huge booster of the development as an economic driver for the whole country - so much so that the oilsands became a driver for key federal policies. His government reworked environment legislation so it is more aligned with Alberta's much looser regulatory regime.

The federal government has repeatedly stalled policies to curtail and reduce greenhouse gas emissions. The oilsands are the largest emitter in the country, with emissions forecast to go so high that they threaten to erase advances made by other jurisdictions to reduce their carbon footprint.

Harper has also steadfastly refused to intercede with First Nations groups grappling with pipeline development, even though the federal government has a long-standing relationship with First Nations as well as a responsibility for their well-being.

"The federal government should be contributing in a way that assures First Nations have the capacity to respond for themselves to these major developments," says Bankes of the University of Calgary. "But they simply weren't there for First Nations."

In response, First Nations have launched myriad court cases that cost both parties millions of dollars. Some First Nations say they are willing to do whatever it takes to protect their territory.

The furious pace of oilsands development has also changed Canada's labour market.

Between 2012 and 2013, for example, 52,700 people - many of them welders, pipefitters and engineers - moved to Alberta from other provinces, with almost half arriving from Ontario.

In 2006, shortly after Harper formed his first minority government, the Temporary Foreign Worker Program was ramped up to allow oilsands and construction firms to more easily bring in skilled trades people.

"The government was doing what the oilsands industry wanted," says Gil McGowan, president of the Alberta Federation of Labour. "It wanted to bring in migrant labour so it wouldn't have to pay union wages."

Not long after, employers at restaurants, hotels and industrial laundries asked for the same fast-tracking for low-skilled workers.

Thousands arrived from Mexico, the Philippines, India and China to fill the jobs. But they couldn't quit and get another job if their employer mistreated them, and in some cases they received lower pay than Canadian workers doing the same jobs.

By 2012, Alberta had 68,000 temporary foreign workers - more per capita than any other province.

So who has benefited the most from the federal and Alberta governments' policies and regulations in support of the oilsands?

Oil company profits are down because of the slide in oil prices, but Suncor - the biggest, oldest oilsands producer and owner of Petro-Canada gas stations - still managed to post a $2.7-billion profit for 2014. The year before, Suncor posted $3.9 billion in profit. In 2013, another big player, Canadian Natural Resources, also posted a $3.9-billion profit. Imperial Oil posted a $3.8-billion profit.

Investors have seen their share value increase year after year.

Several companies, such as Sinopec, Nexen and Brion Energy, are wholly owned by China so never release their financial results, but their profits will be heading straight to China.

What about the long-term costs? Mushrooming greenhouse gas emissions? Land destroyed by massive toxic tailings ponds? Rivers polluted and running dry? The growing resentment of First Nations people, who would like to get in on the wealth instead of being treated as in the way? And what about the billions in corporate profits that have left the country while our own savings fund stagnates?

The oilsands train has been gathering steam for a long time. Should it be turned around? Slowed down? Stopped?

Only one thing is certain: the oilsands are no longer just a hinterland resource project. They have become a polarizing, sticky issue for Canadians from one end of the country to the other.

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